

# CENTRAL ORDER HEARING TESTIMONY

November 14, 2001

My name is Dennis Tonak. I am the manager of Mid-West Dairymen's Company. The business address is 4313 West State Street, Rockford, Illinois. Mid-West is a relatively small cooperative with producer-members located in northern Illinois and southern Wisconsin. The majority of Mid-West members' milk is used to supply the fluid market.

I also work with Lakeshore Federated Dairy Cooperative whose members are Manitowoc Milk Producer Cooperative, Manitowoc, Wisconsin; Milwaukee Cooperative Milk Producers, Brookfield, Wisconsin; and Mid-West Dairymen's Company. Lakeshore represents over 4,000 producers located in Wisconsin and surrounding states. The milk from these producers is primarily pooled on the Upper Midwest Order, and to a lesser extent on the Central and Mid-East Orders.

Lakeshore is concerned that the proposed pooling changes in Proposal 1,2,3,4,5 and 7 if adopted could force milk currently pooled on Order 32 to be pooled on Order 30. This would decrease producer returns in Northern Illinois and surrounding areas.

Exhibit \_\_\_\_\_ pages 11 and 12 show the management returns for dairy farms participating in the Farm Business Farm Management Association records for Northern and Southern Illinois:

	Northern Illinois	Southern Illinois
1999	(\$8420)	(\$825)
2000	(\$36981)	(\$393)

*Exhibit 20*  
*11/15/2001*

The impact of Federal Order Reform may have played a role in the dramatic change in returns for Northern Illinois farms from 1999 to 2000. To make it more burdensome to pool this milk on surrounding Federal Orders would further reduce the profitability/management returns of these farms and unduly impact the ability of these small businesses to survive.

There is also an impact on the Federal Order dictated cost for Class I milk. Exhibit \_\_\_\_\_ Shows a comparison of blend prices at Dubuque, Iowa and Rockford, Illinois since 1998. The Dubuque plant and Rockford plant are major competitors for packaged milk sales in Northern Illinois. While the announced Class I price is the same at Rockford and Dubuque since January 2000, the Rockford plant has a significantly higher cost to attract milk supplies from the Stephenson County, Illinois/Green County, Wisconsin area than does the Dubuque plant. In effect to compete for milk supplies in that area the Rockford plant must pay the Class I price plus the difference in Federal Order Blend prices. This puts a greater burden on the Rockford plant. During 2001 the actual Federal Order “cost” for milk at these two plants has become closer than in 2000.

It appears to us that the producer alignments within and between Order 30 and 32 are moving to establish the traditional price relationships that existed prior to Order Reform along the northeastern edges where the two Orders adjoin. (Illinois, Wisconsin, and Iowa)

We strongly urge the Department to consider the impact on the Northern Illinois businesses noted above as it reviews the proposed changes at this Hearing.

# STATISTICAL BLEND PRICE

MONTH	1998		1999		2000		2001	
	DUBUQUE	ROCKFORD	DUBUQUE	ROCKFORD	DUBUQUE	ROCKFORD	DUBUQUE	ROCKFORD
	79	30	79	30	32	30	32	30
JAN	13.451	13.53	16.471	16.68	10.98	10.43	11.60	10.97
FEB	13.661	13.66	12.851	12.06	10.75	10.05	11.57	11.10
MAR	13.301	13.24	13.201	12.94	10.66	10.13	12.49	12.15
APR	12.811	12.62	11.451	11.40	10.59	10.10	13.17	12.84
MAY	11.891	11.59	11.721	11.66	10.71	10.22	14.55	14.45
JUN	13.281	13.14	11.981	11.85	10.91	10.38	15.54	15.47
JUL	13.761	12.85	12.611	12.65	11.70	11.31	15.89	15.86
AUG	14.231	14.38	12.721	13.17	11.36	10.92	16.04	16.01
SEP	15.491	14.41	14.701	14.90	11.72	11.41	16.31	16.23
OCT	16.121	15.88	13.171	12.77	11.15	10.83	0	0
NOV	16.171	16.30	12.181	11.52	10.60	9.95	0	0
DEC	16.501	16.93	10.481	10.36	11.13	10.55	0	0
WEIGHTED								
AVERAGE	13.881	13.76	12.691	12.57	11.03	10.50	14.19	13.86
CLASS I								
DIFF.	1.361	1.31	1.361	1.31	1.75	1.75	1.75	1.75

	<u>2000</u>	
	<u>DUBUQUE</u>	<u>ROCKFORD</u>
CLASS I DIFFERENTIAL	1.75	1.75
MAKEUP DIFFERENCES IN ORDER 30/32 BLEND	0	0.53
"EFFECTIVE" CLASS I COST	<u>1.75</u>	<u>2.28</u>

	<u>2001</u>	
	<u>DUBUQUE</u>	<u>ROCKFORD</u>
CLASS I DIFFERENTIAL	1.75	1.75
MAKEUP DIFFERENCES IN ORDER 30/32 BLEND	0	0.33
"EFFECTIVE" CLASS I COST	<u>1.75</u>	<u>2.08</u>

**BEFORE FEDERAL ORDER REFORM 1998-1999**

	<u>DUBUQUE</u>	<u>ROCKFORD</u>
CLASS I DIFFERENTIAL	1.361	1.31
MAKEUP DIFFERENCES IN ORDER 30/32 BLEND	0	0.121
"EFFECTIVE" CLASS I COST	<u>1.361</u>	<u>1.431</u>